

DEPARTMENT OF WATER RESOURCES

1416 NINTH STREET, P.O. BOX 942836
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OCT 27 2011

To: Distribution List

Assembly Bill 1X (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power suppliers, authorized DWR to issue revenue bonds and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities. The accompanying report contains results of operating activities with detail on remittance revenues, long-term power contract and administrative expenditures, and CERS' financial position as of June 30, 2011.

If you have any questions, please contact me at (916) 653-7007 or your staff may contact Gurdip Rehal, Acting Chief, Financial Management Office, at (916) 574-1299.

Sincerely,

A handwritten signature in dark ink, appearing to read "Mark W. Cowin".

Mark W. Cowin
Director

Attachments

Distribution List

Electronic copy of one-page summary distributed to all members of the Legislature

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**Report to the Legislature
Assembly Bill X1 1, Chapter 4, Statutes of 2001
Activities and Expenditures for Quarter Ended June 30, 2011**

Assembly Bill X1 1 (Chapter 4, Statutes of 2001), among other things, established Section 27 of the California Water Code, authorized the Department of Water Resources (DWR) to enter into long-term contracts with power generators, created the Power Supply Revenue Bond program and required DWR to make quarterly and annual reports to the Governor and the Legislature regarding California Energy Resources Scheduling Division's (CERS) activities.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and oversees repayment of the outstanding revenue bonds.

As required by Assembly Bill X1 1, this report provides historical information with respect to cash receipts, disbursements, bonds outstanding and cash balances for the quarter ending June 30, 2011. There are no unexpected trends, and cash balances at the end of this quarter met or exceeded amounts required by the Trust Indenture for the Power Supply Revenue Bonds. The report also compares CERS' 2011 fiscal year appropriated costs to budget for the fiscal year ending June 30, 2011, and demonstrates that CERS' expenditures are within budget.

This report is available on the DWR website at: <http://www.cers.water.ca.gov>

California Energy Resources Scheduling

**A Division of
California Department of Water Resources**

**Activities and Expenditures Report
Quarter Ended June 30, 2011**

(Provides Data as Required by Section 80250 of the California Water Code)



Activities and Expenditures Report

For The Quarter Ended June 30, 2011

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Activities and Expenditures Report

Preface

Pursuant to the reporting requirement in Section 80250 of the California Water Code, the following information reflects energy acquisition activities and expenditures incurred by the California Energy Resources Scheduling Division (CERS) of the Department of Water Resources (DWR) for the quarter ended June 30, 2011. Included are all costs related to energy acquisition and administration.

CERS purchases power under the terms of its existing contracts, all of which were entered into prior to January 1, 2003. The scheduling, dispatch and certain other administrative functions for the existing contracts are managed by the investor owned utilities. CERS continues to have financial and legal responsibility for its contract portfolio and will oversee repayment of the revenue bonds.

The audited financial statements for the years ended June 30, 2010 and 2009, prepared in accordance with generally accepted accounting principles, can be referenced at the following link: http://www.cers.water.ca.gov/financial_bonds.cfm

This report is available on the DWR website at www.cers.water.ca.gov.

Cash Balances

June 30, 2011

(in millions)

Power Accounts*

Operating and Priority Contract Accounts	\$	1,135
Operating Reserve Account		288
Total Power Account Balances	\$	<u>1,423</u>

Bond Accounts

Bond Charge Collection Account		238
Bond Charge Payment Account		382
Debt Service Reserve Account	\$	919
Total Bond Account Balances	\$	<u>1,539</u>

Note: All cash balances met the requirements of the Bond Indenture at quarter end and for each day during the quarter.

*Power accounts balances include \$233 million as a result of the Sempra Settlement.

Revenues from IOU Ratepayers

Quarter Ended June 30, 2011

(in millions)

	<u>Pacific Gas & Electric</u>	<u>San Diego Gas & Electric</u>	<u>Southern California Edison</u>	<u>Total</u>
<u>Power Charges</u>				
Quarter Ended June 30, 2011	\$ 38	\$ 17	\$ 188	\$ 242
<u>Bond Charges</u>				
Quarter Ended June 30, 2011	\$ 88	\$ 21	\$ 90	\$ 199

DWR Contract Expenditures for the Benefit of Ratepayers

Quarter Ended June 30, 2011 (in millions)

<u>Utility</u>	<u>Total Power Costs*</u>	<u>Total MWh</u>	<u>Total Gas Costs</u>	<u>Total MMBtu</u>
Pacific Gas & Electric	\$ 44	0.44	\$ 1	0.21
Southern California Edison	196	4.93	81	17.04
San Diego Gas & Electric	11	0.37	16	3.38
Total	\$ 251	5.74	\$ 98	20.64

*Contract expenditures do not include the net costs of prior period refunds and adjustments or settlement revenues.

Power Revenue Bonds

June 30, 2011

(in millions)

Series	Initial Principal Amount	June 30, 2011		Interest Rate Mode
		Outstanding Principal Amount		
Initial Issues				
Series 2002A	\$ 6,314	\$ 473		Fixed
Series 2002B	1,000	25		Variable
Series 2002C	2,750	923		Variable
Series 2002D	500			
Series 2002E (Taxable)	700			
Total	<u>\$ 11,264</u>			
Refunding Issues				
Series 2005F	\$ 759	\$ 348		Fixed
Series 2005G	1,835	173		Fixed
Series 2008H	1,007	1,007		Fixed
Series 2008I	150			
Series 2008J	130			
Series 2008K	279	279		Fixed
Series 2010L	2,993	2,919		Fixed
Series 2010M	1,763	1,684		Fixed
Total	<u>\$ 8,916</u>			
Total Bonds Outstanding		\$ 7,830		

Appropriated Costs

Fiscal Year Ending June 30, 2011

(in millions)

	Annual Budget for Fiscal Year Ended June 30, 2011	Actual Expenditures through June 30, 2011
Salaries, Benefits and Distributed Administrative Costs	\$ 7.2	\$ 6.7
Consulting Companies and Personal Service Consultants	9.8	9.0
Other Operating Expenses and Equipment	1.8	1.3
Subtotal	18.8	17.0
Allocation of State Wide Pro-Rata Costs	7.2	7.2
TOTAL ADMINISTRATIVE COSTS	\$ 26.0	\$ 24.2